HOUSING MARKET INFORMATION

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CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: January 2011

Canadian Market Overview

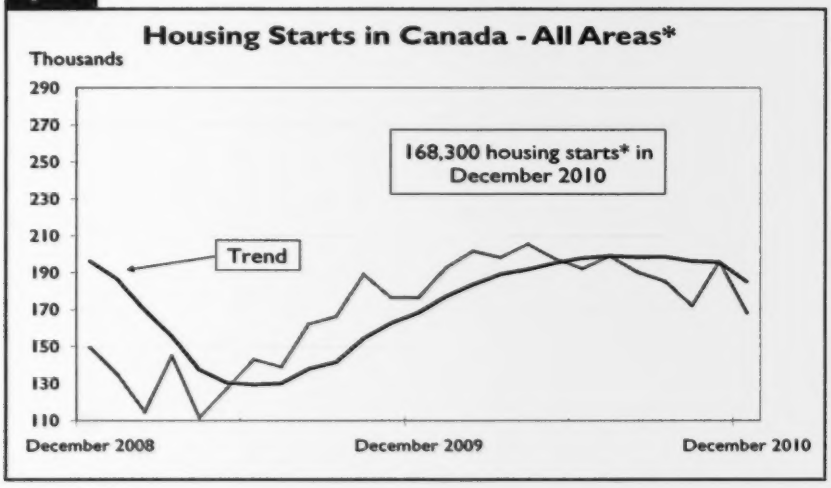
New Home Market

Housing starts decreased in December 2010

The seasonally adjusted annual rate[1] of housing starts was 168,300 units in December, down 14.1 per cent from 195,900 units in November. The low number of housing starts in December reflects a decline in multiple starts, particularly in Ontario.

In 2011, housing starts are expected to reach 174,800 units; a level that is in line with demographic fundamentals.

Figure 1



Source: CMHC

*Seasonally adjusted at annual rates

[1]All starts figures in this release, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Both urban single and multiple starts decreased in December

The seasonally adjusted annual rate of urban starts fell by 13.4 per cent to 148,900 units in December compared to 172,000 units in November. Urban single starts decreased 2.4 per cent to 64,700 units, while urban multiple starts were down 20.3 per cent to 84,200 units in December.

Urban starts mixed across the regions

In December, the seasonally adjusted annual rate of urban starts increased in British Columbia (47.4 per cent), Québec (12.6 per cent) and the Prairies (0.7 per cent). On the other hand, starts decreased in Ontario (-45.4 per cent) and in the Atlantic region (-9.8 per cent).

The seasonally adjusted annual rate of rural starts was19,400 units in December compared to 23,900 units in November.

Total starts up in 2010 compared to 2009

In 2010, actual urban starts increased 27.5 per cent compared to 2009. Actual urban single starts for 2010 were up 22.7 per cent compared to a year earlier, while actual urban multiple starts rose 31.6 per cent in 2010 compared to 2009.

Actual starts in rural and urban areas combined increased by an estimated 27.4 per cent in 2010 compared to 2009. Actual housing starts in 2010 reached 189,930 up from 149,081 in 2009.

In 2010, actual all area starts were up in all regions, compared to 2009. Total starts increased by 64.7 per cent in British Columbia, by 37.2 per cent in the Prairies, by 20.0 per cent in Ontario, by 18.3 per cent in Québec, and by 17.2 per cent in the Atlantic region.

New house prices continue to increase in November

The New Housing Price Index (NHPI) increased by 2.3 per cent year-over-year in November compared to 2.5 per cent in October. This was the fou. th consecutive month in which there was a year-over-year increase in the index.

In November 2010, new home prices increased in 16 out of 21 centres, compared to November 2009. The largest increases in the NHPI were in St. John's (8.6 per cent), followed by Regina (6.0 per cent) and Ottawa-Gatineau (5.4 per cent). The centres that registered the largest declines in the NHPI were Windsor (-3.1 per cent), Charlottetown (-2.0 per cent), Greater Sudbury and Thunder Bay (-1.2 per cent).

Existing Home Market

MLS®[2] sales down in December

The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales was down 0.65 per cent to 449,424 units in December, compared to 452,364 units in November. At 447,010 units, actual MLS® sales in 2010 decreased by 3.9 per cent compared to 2009.

MLS® new listings were up in December

The seasonally adjusted annual rate of MLS® new listings in December increased 0.6 per cent to 814,188 units, compared to 809,292 units in November. Actual new listings for 2010 were up 7.5 per cent compared to 2009.

The Sales-to-New-Listings ratio supports moderate growth in house prices

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio[3]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

[2]Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association

[3]Taking the Canadian MLS® market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new- listings ratio is between these thresholds, the market is said to be balanced.

The sales-to-new-listings ratio for Canada remained near the threshold between balanced and sellers' market conditions in December, at about 55.2 per cent. On an annual basis, the sales-to-new-listings ratio for Canada was 52.4 per cent in 2010.

The December seasonally adjusted average MLS® price in Canada decreased by 0.3 per cent to $345,135 compared to $346,294 in November. For the year 2010, Canada-wide actual average MLS® price increased to $339,030 up 5.8 per cent compared to the previous year.

The unadjusted MLS® average price was up 2.1 per cent in December to $344,551 from $337,534 a year ago.

Economic conditions

According to Statistics Canada employment edged up by 22,000 jobs in December, after a November gain of 15,200 jobs. Compared to 2009, total employment across Canada in 2010 increased 2.2 per cent (369,000 jobs). Employment has fully recovered the losses sustained from the recession and rebounded for the first time in seventeen years from negative annual employment growth.

The agency also reported that Canada's unemployment rate remained unchanged at 7.6 per cent in December. Full-time employment increased by 38,000 jobs in December, while part-time employment fell by 16,000 jobs. Over the past year, part-time employment increased by 109,000 net new jobs while full time employment increased by 259,000 net new jobs.

Among the provinces, Québec, Ontario and Newfoundland and Labrador saw employment gains in December, while British Columbia posted declines. Employment was little changed in the other provinces.

With respect to consumer prices, Statistics Canada reported that consumer prices rose 2.4 per cent in the 12 months to December, following a 2.0 per cent increase in November. The 0.4 percentage point increase can be largely attributed to gasoline prices. With respect to shelter costs, natural gas prices increased 9.2 per cent compared with a 5.8 per cent advance in November.

Homeowners' replacement cost increased 4.3 per cent in December compared with a 4.6 per cent advance the previous month. Finally, electricity prices rose 6.2 per cent compared with a 5.9 per cent advance in November.

On January 18th, the Bank of Canada announced that it was leaving the overnight rate target unchanged at 1.0 per cent. According to the Bank of Canada, the global economic recovery is proceeding at a somewhat faster pace than previously anticipated. Despite the more positive global outlook, the persistent strength of the Canadian dollar and Canada's poor competitive performance are restraining Canada' economic recovery. As a result, the economy is not expected to return to full capacity until the end of 2012. ■

Figure 2

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

Canada's Existing Home Market:

A change to Balanced Market Conditions

During the first half of 2010 a combination of decreased MLS® sales and increased MLS® listings pushed Canada's existing home markets back into the balanced market range. Although sales picked up in the latter half of 2010, balanced market conditions are expected to prevail in most markets in 2011.

As stated previously in this publication, a good indicator of price pressure in the existing home market is the sales-to-new-listings ratio (SLR). New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand. The SLR is calculated by dividing the number of MLS® sales by the number of MLS® new listings, then multiplying by 100.

A sales-to-new-listings ratio (SLR) below 40 per cent has usually been accompanied by existing house price growth that is less than the general rate of inflation. This situation is known as a buyers' market. A SLR ratio above 55 per cent has been associated with a sellers' market, with home prices generally rising at a pace that is greater than inflation. When the SLR is between these thresholds, the market is said to be balanced and home prices tend to increase at about the overall rate of inflation.

Figure 3

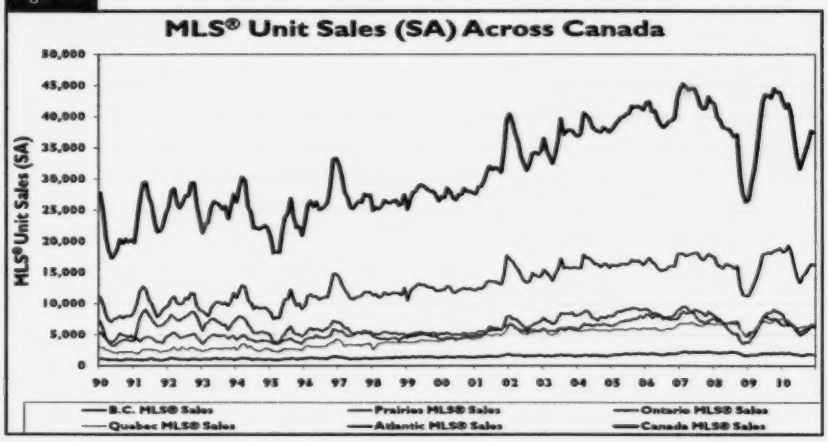


Figure 4

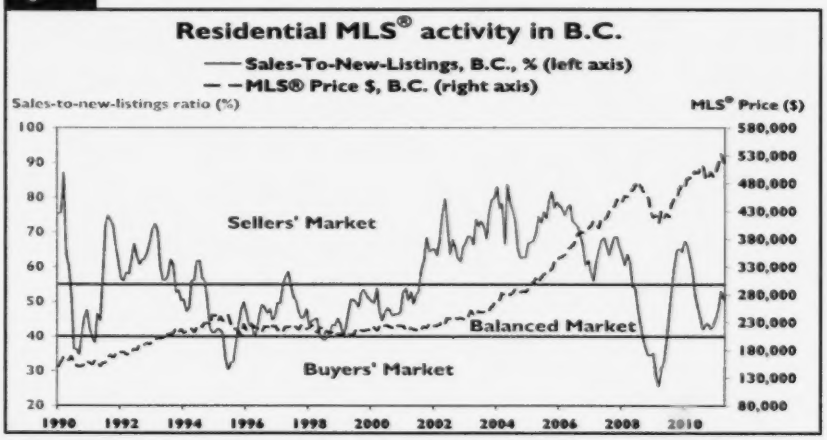
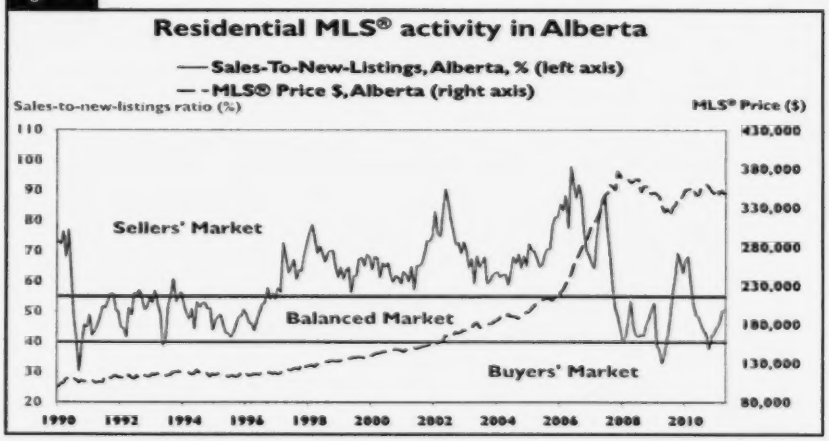
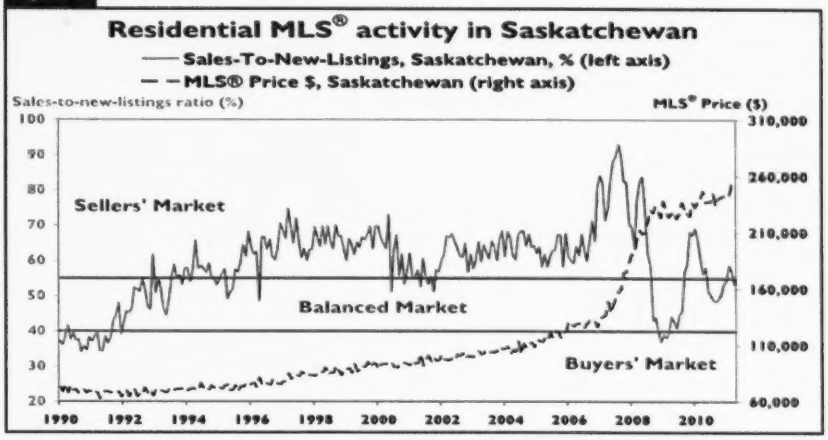


Figure 5



The relationship between market conditions and average prices can be somewhat distorted by the fact that the average prices can also reflect changes in the mix of houses sold. It is also important to note that, to simplify the analysis, we assume that the thresholds used to determine that a market is in sellers', buyers' or balanced territory are the same for all provinces. In reality, thresholds can vary from province to province.

Figure 6



The overall Canadian context

Existing home sales rebounded in 2009 as Canada emerged from the economic downturn. In 2010, strong labour market conditions and low mortgage rates continued to support existing home sales, albeit at lower volumes than in the fourth quarter of 2009 when MLS® sales peaked at a seasonally adjusted annual rate of about 530,000 units (Figure 3). Based on these dynamics, Canada's existing home market experienced balanced market conditions for most of 2010. Although MLS® sales have picked up in the final quarter of 2010 (Figure 3), the SLR is expected to remain near the balanced/ sellers' market threshold for most of 2011.

Figure 7

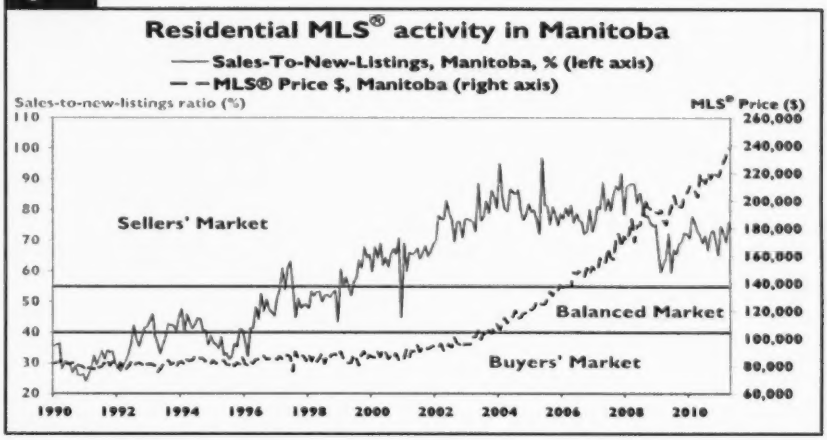
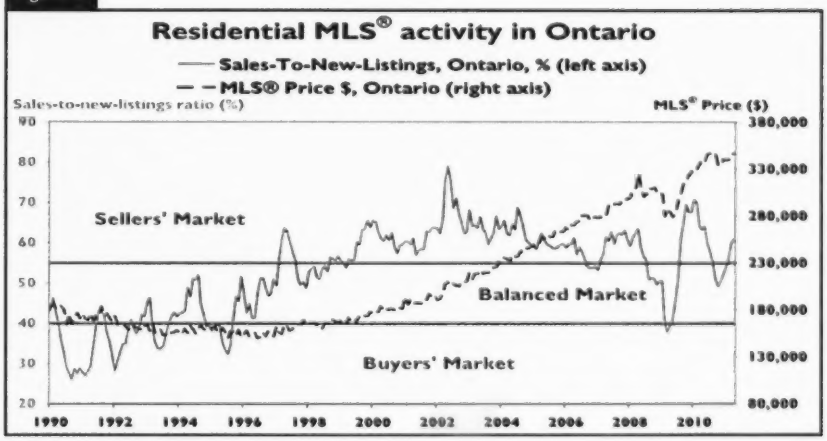


Figure 8



The Western Canada view

As can be seen from Figures 4 to 7, Canada's western provinces all returned to balanced market conditions, except for Manitoba, which has remained in sellers' market territory since about 2001 due to persistently limited supply of housing.

B.C., Alberta, and Saskatchewan followed the national pattern and experienced declining sales accompanied by increased listings for the first half of 2010. Since then, affordability and a more positive economic outlook have helped to push demand for existing homes higher.

With the exception of Alberta, all other western provinces have surpassed their pre-recession price levels. In Alberta, the seasonally adjusted average MLS® price, as of December 2010, was $348,028 compared to $356,266 in December 2009.

The Ontario and Québec view

With respect to Ontario and Québec (Figure 8 and 9), high levels of new listings and a sudden decrease in existing home sales in the second quarter of 2010 caused the SLR to move into the balanced market range. But, like other provinces, affordability has supported housing demand and pushed the SLR higher. In Ontario's case, the market has recently even re-entered the sellers' market territory.

Figure 9

Figure 10

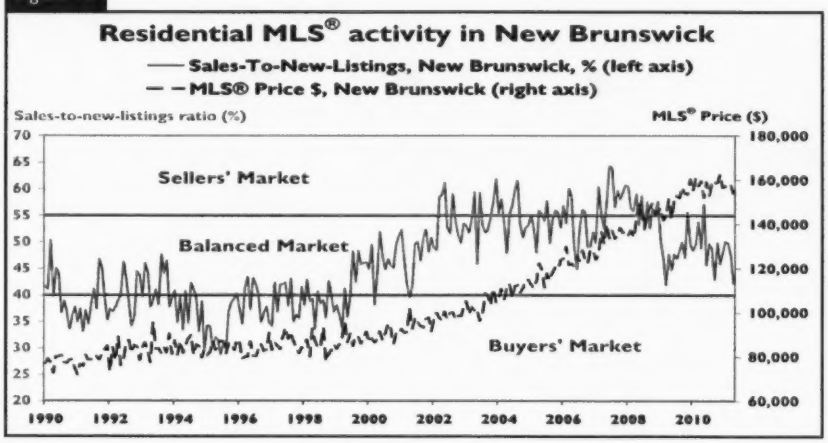
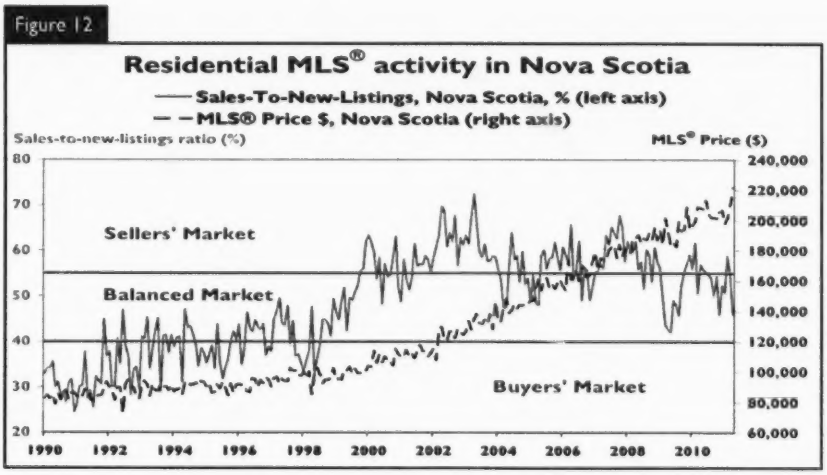


Figure 12



The Ontario seasonally adjusted average MLS® price, as of December 2010, was $346,821, up 1.9 per cent from December 2009.

In Québec, the seasonally adjusted average MLS® price in December 2010 also increased to reach $248,336, up 7.0 per cent from December 2009.

The Atlantic Canada view

With the exception of Newfoundland and Labrador, Atlantic Canada (Figures 10 to 13) did not experience as strong an upturn in the SLR as in the rest of Canada. MLS® sales in the region have not increased as much as in central and western Canada. The SLR in New Brunswick and Nova Scotia remains in balanced market territory, while Newfoundland and Labrador just touched the buyers' market range, as sales hit a four-year low and listings are near record levels. The volatile PEI market moved back into the sellers' market territory.

In PEI, the seasonally adjusted average MLS® price in December 2010 was $146,167, up 13.1 per cent from December 2009. At $249,499, the average MLS® price in Newfoundland and Labrador in December 2010 was up 10.8 per cent from December 2009. Finally, while Nova Scotia also posted an increase in the average MLS® price of 6.2 per cent ($221,227) in December 2010, New Brunswick's average MLS® price was down 3.4 per cent compared to the same time period a year ago at $154,182.

Figure 13

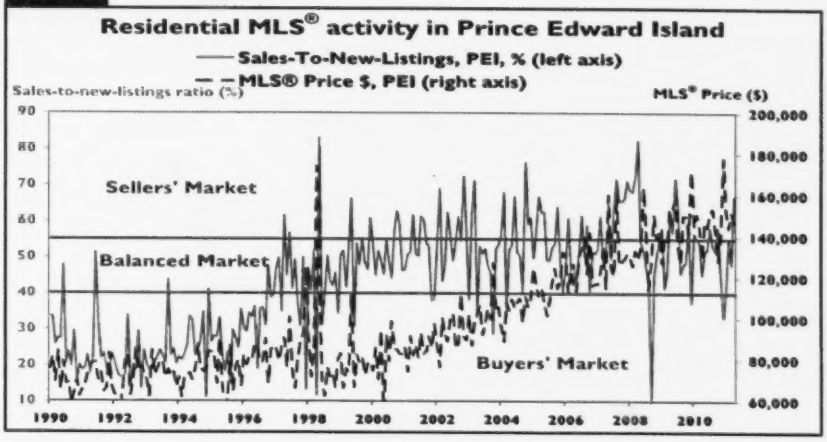
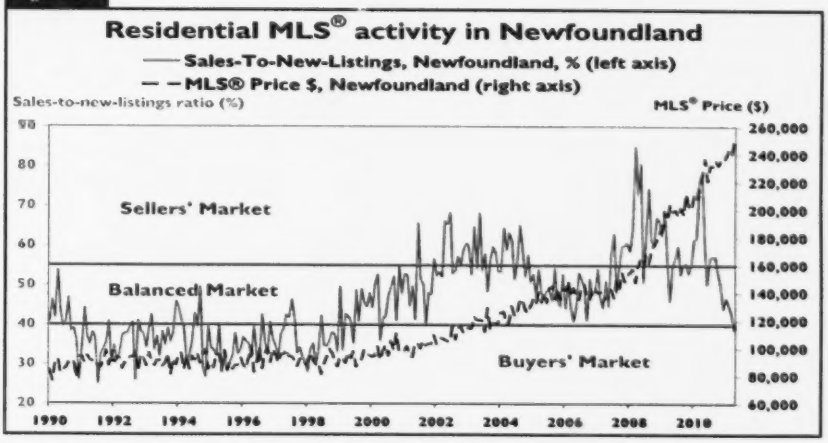


Figure 14



Conclusion

In 2010, Canada's resale markets have turned from sellers' market conditions to balanced market conditions. Looking ahead, MLS® sales for 2011 are expected to be below their 10-year average. Nonetheless, improving economic conditions, such as growth in employment and income, will support a slight increase in MLS® sales through the fourth quarter of 2011.

As new listings are expected to stay in line with sales, markets are expected to remain balanced with modest growth in average house prices in 2011. ■

This Month's Housing Data (SAAR)

Housing starts, units, 000s

	2010	Q2:10	Q3:10	Q4:10	M10:10	M11:10	M12:10
Canada. Total. All areas	**189.9**	**199.8**	**190.7**	**179.1**	**172.1**	**195.9**	**168.3**
Per cent change from previous period	27.4	2.1	-4.6	-6.1	-7.2	13.8	-14.1
Canada. Total. Rural areas	**23.8**	**26.4**	**23.3**	**22.9**	**24.6**	**23.9**	**19.4**
Per cent change from previous period	27.0	12.8	-11.7	-1.7	10.3	-2.8	-18.8
Canada. Total. Urban areas	**166.2**	**173.4**	**167.4**	**156.2**	**147.5**	**172.0**	**148.9**
Per cent change from previous period	27.5	0.7	-3.5	-6.7	-9.6	16.6	-13.4
Canada. Single. Urban areas	**74.2**	**79.3**	**69.9**	**63.5**	**61.9**	**66.3**	**64.7**
Per cent change from previous period	22.7	-10.0	-11.9	-9.2	-3.1	7.1	-2.4
Canada. Multiple. Urban areas	**91.9**	**94.1**	**97.5**	**92.7**	**85.6**	**105.7**	**84.2**
Per cent change from previous period	31.6	11.9	3.6	-4.9	-13.7	23.5	-20.3
Newfoundland. Total. All areas	**3.6**	**4.2**	**3.3**	**3.1**	**3.4**	**3.1**	**3.2**
Per cent change from previous period	18.0	-30.0	-21.4	-6.1	9.7	-8.8	3.2
Prince Edward Island. Total. All areas	**0.8**	**0.9**	**0.7**	**0.9**	**0.3**	**1.0**	**1.1**
Per cent change from previous period	-13.8	80.0	-22.2	28.6	-40.0	233.3	10.0
Nova Scotia. Total. All areas	**4.3**	**4.4**	**4.6**	**3.8**	**5.6**	**3.6**	**2.8**
Per cent change from previous period	25.3	0.0	4.5	-17.4	33.3	-35.7	-22.2
New Brunswick. Total. All areas	**4.1**	**3.6**	**4.4**	**4.5**	**5.6**	**3.6**	**3.0**
Per cent change from previous period	16.5	-18.2	22.2	2.3	133.3	-35.7	-16.7
Quebec. Total. All areas	**51.4**	**54.0**	**50.2**	**47.9**	**49.5**	**44.1**	**47.5**
Per cent change from previous period	18.3	1.7	-7.0	-4.6	-2.0	-10.9	7.7
Ontario. Total. All areas	**60.4**	**63.8**	**60.7**	**58.3**	**46.8**	**83.3**	**46.0**
Per cent change from previous period	20.0	4.9	-4.9	-4.0	-19.7	78.0	-44.8
Manitoba. Total. All areas	**5.9**	**5.8**	**6.9**	**5.4**	**4.0**	**5.5**	**6.5**
Per cent change from previous period	41.1	13.7	19.0	-21.7	0.0	37.5	18.2
Saskatchewan. Total. All areas	**5.9**	**5.1**	**6.2**	**7.4**	**5.2**	**9.4**	**7.6**
Per cent change from previous period	52.8	0.0	21.6	19.4	-3.7	80.8	-19.1
Alberta. Total. All areas	**27.1**	**31.6**	**26.9**	**22.4**	**25.7**	**21.5**	**20.6**
Per cent change from previous period	33.5	9.0	-14.9	-16.7	-6.9	-16.3	-4.2
British Columbia. Total. All areas	**26.5**	**26.4**	**26.8**	**25.4**	**26.0**	**20.8**	**30.0**
Per cent change from previous period	64.7	-2.9	1.5	-5.2	-11.6	-20.0	44.2

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2010	Q2:10	Q3:10	Q4:10	M10:10	M11:10	M12:10
Canada. Total. Urban areas	166.2	173.4	167.4	156.2	147.5	172	148.9
Newfoundland. Total. Urban areas	2.2	2.5	2.0	2.2	2.4	2.1	2.1
Prince Edward Island. Total. Urban areas	0.6	0.7	0.5	0.7	0.2	0.8	0.9
Nova Scotia. Total. Urban areas	3.5	3.4	3.9	3.1	4.5	3	2.3
New Brunswick. Total. Urban areas	3.0	2.7	3.2	3.1	3.7	2.3	2.1
Quebec. Total. Urban areas	43.5	45.4	41.7	40.9	41.9	36.4	41
Ontario. Total. Urban areas	57.1	60.3	57.5	54.6	42.9	79.5	43.4
Manitoba. Total. Urban areas	4.0	3.7	5.2	3.4	2.3	3.6	4.7
Saskatchewan. Total. Urban areas	4.6	3.9	5.0	5.4	3.6	6.8	6.2
Alberta. Total. Urban areas	24.1	27.6	24.7	19.6	22.4	18.5	18.2
British Columbia. Total. Urban areas	23.6	23.2	23.7	23.2	23.6	19	28

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized

This Month's Major Housing Indicators

	2010	Q2:10	Q3:10	Q4:10	M10:10	M11:10	M12:10
New Housing							
New & unoccupied singles & semis, units 000s	5.3	5.4	5.0	5.6	5.3	5.7	5.8
Per cent change from same period previous year	-28.5	-36.3	-25.9	-1.8	-9.5	-1.0	5.5
New & unoccupied row & apartments, units 000s	13.6	13.4	13.7	13.7	13.7	13.8	13.8
Per cent change from same period previous year	10.8	11.7	6.3	6.6	5.8	8.3	5.7
New House Price Index, 1997=100	n.a.	157.9	158.2	n.a.	158.6	159.0	n.a.
Per cent change from same period previous year	n.a.	2.9	2.8	n.a.	2.5	2.3	n.a.
Existing Housing							
MLS® resales*, units 000s	447.0	442.6	396.4	444.4	431.4	452.4	449.4
Per cent change from same period previous year	-3.9	-4.3	-23.7	-16.1	-19.2	-14.2	-14.7
MLS® average resale price, 000s**	339.0	339.1	332.2	343.5	338.9	346.3	345.1
Per cent change from same period previous year	5.8	8.7	0.4	1.3	0.4	2.1	1.3
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	3.49	3.70	3.37	3.30	3.20	3.35	3.35
Posted 5-Year Mortgage Rate, % (period average)	5.61	6.04	5.52	5.31	5.29	5.44	5.19

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association

n.a. Figures not available

* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Renovation and Home Purchase Report
- Rental Market Provincial Highlight Reports *Now semi-annual!*
- Rental Market Reports, Major Centres
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